

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of the Petition of AT&T  
Communications of the Midwest, Inc., to  
Change Its Rates for Telephone Service  
Offered Within the State of Minnesota

ISSUE DATE: August 26, 1988

DOCKET NO. P-442/EM-87-862

ORDER ACCEPTING AND APPROVING  
COMPLIANCE FILINGS

PROCEDURAL HISTORY

On May 23, 1988 the Commission issued its FINDINGS OF FACT AND CONCLUSIONS OF LAW AND ORDER in the above-captioned general rate proceeding. That Order required AT&T Communications of the Midwest, Inc. (AT&T or the Company) to reduce rates it had put into effect on February 1, 1988. The Order also required the Company to refund to customers the difference between the rates approved in the Order and the rates implemented on February 1.

On June 22, 1988 the Company made a compliance filing setting forth the principles and procedures it proposed to use in developing final rates and refund rates. On August 1 the Company made a supplemental compliance filing setting forth actual rate schedules.

The Department of Public Service examined both filings and recommended acceptance and approval. No other party commented on the filings.

FINDINGS AND CONCLUSIONS

The Commission accepts and approves these filings and the rate schedules they contain. The Commission finds that the proposed rate schedules meet the requirements of the May 23 Order.

### Refunds by Mileage Band

Because it would be virtually impossible for the Company to make accurate refunds to individual customers, the May 23 Order allowed the Company to refund overcollections by providing service at reduced rates, "refund rates," for the four-month period from September 1, 1988 to January 1, 1989. The Commission directed that these refund rates return overcollections by mileage bands in the same proportions as the overcollections occurred. The Commission notes that the Company's refund proposal does not result in the full amounts overcollected in the shortest mileage bands being refunded in those mileage bands. Instead, some of those amounts appear in the refund rates for the longer mileage bands.

The Company stated this was done to prevent refund rates in the shortest mileage bands from falling below \$.02 per minute. AT&T believed that rates below that level would send incorrect price signals to customers and would be administratively burdensome. The Commission accepts these concerns as valid and will allow this minor discrepancy between where overcollections occurred and where they will be refunded.

### The "DOD" Savings Flow Through

The Company proposed to incorporate into the rates developed in this proceeding savings resulting from Carrier Common Line Charge reductions ordered in a recently completed earnings investigation of Northwestern Bell Telephone Company. That proceeding, initiated by the Department of Defense (DOD), is commonly known as the "DOD" case, docket no. P-421/CI-86-354. The Commission finds that the rates approved herein accurately reflect those savings.

### The "582" Savings Flow Through

In its May 23 Order the Commission required that the Company promptly flow through to customers cost savings resulting from a recently completed proceeding adjusting the Carrier Common Line Charges assessed by local exchange carriers, docket no. P-999/CI-85-582. This proceeding is commonly known as the "582" case.

The Commission notes that the Company's proposed rates allocate all of these savings to the seven longest of the nine mileage bands. The Company proposed this distribution because rates for the two shortest mileage bands are set below their cost, and reducing them further would increase the discrepancy between cost and price.

The Commission treated this issue at length in its May 23 Order, explaining that cost is not necessarily the determinative factor in setting mileage band rates. The Commission will approve the proposed rates, however, because limiting the 582 savings to the seven longest mileage bands has a negligible monetary impact on the shortest haul mileage bands.

## ORDER

1. AT&T's compliance filings in this proceeding, and the rate schedules they contain, are accepted and approved.
2. AT&T shall submit a final copy of the rate schedules approved herein, including tariff pages and price lists, to the Department of Public Service no later than August 31, 1988.
3. AT&T shall implement the refund rates approved herein on September 1, 1988.
4. AT&T shall implement the final rates approved herein on January 1, 1989.
5. AT&T shall cause the attached notice to be published in all Minnesota daily newspapers on August 31, 1988, or as thereafter as possible.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen  
Executive Secretary

(S E A L)